

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

NOTICE OF MARKET-DOMINANT
PRICE ADJUSTMENT

Docket No. R2017-1

**RESPONSE OF UNITED STATES POSTAL SERVICE
TO QUESTIONS 2 AND 3 OF CHAIRMAN'S INFORMATION REQUEST NO. 3**
(October 24, 2016)

The Postal Service hereby files its responses to the above-captioned questions from Chairman's Information Request No. 3, issued on October 19, 2016. Each question is stated verbatim and followed by the Postal Service's response. The responses to questions one and four are still being prepared.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Pricing & Product Support

John F. Rosato

475 L'Enfant Plaza, S.W.
Washington, D.C. 20260-1135
(202) 268-2990, FAX: -6187
John.F.Rosato@usps.gov
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2. Library Reference USPS-LR-R2017-1/3, Excel file "CAPCALC-PER-R2017-1.xlsx," tab "FSS MCS Distribution," provides aggregated data by quarter from the Mail Characteristics Study. Please provide the data source file for each quarter.

RESPONSE:

The Mail Characteristics Study (MCS) data used in file "CAPCALC-PER-R2017-1.xlsx," tab "FSS MCS Distribution," is being submitted concurrently with this response as Excel file "CHIR3 Q2 Response MCS Data.xlsx". The MCS data in this file was created using the same methodology documented in Docket No. ACR2015, folder USPS-FY15-14. However, since the MCS data presented in Excel file "CHIR3 Q2 Response MCS Data.xlsx" was not used in the Annual Compliance Report, it was not provided previously.

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3. The Postal Services states that "[i]n this price change [it] has taken some meaningful measures to provide efficient pricing signals to the mailers, including changing certain price cells to encourage flats mailers to create more Carrier Route bundles on Carrier Route pallets." Notice at 29. Please list all proposed measures and explain how each proposed measure will improve Periodicals pricing efficiency.

RESPONSE:

In this Docket the Postal Service has proposed the following measures that it believes will improve Periodicals pricing efficiency:

1. The Postal Service is providing a greater incentive for mailers to enter additional Carrier Route Bundles on Carrier Pallets. This is accomplished by increasing the price of Barcoded Machinable pieces in 5-Digit bundles from \$0.300 to \$0.309. This price adjustment widens the gap between the 5-Digit Barcoded Machinable pieces in 5-Digit bundles and the Carrier Route pieces in Carrier Route bundles by 0.9 cents.
2. In this market dominant price adjustment the Postal Service is taking the next step in its plan to align bundle and pallet prices with their estimated bottom up costs. The Postal Service is moving the prices for ADC bundles on ADC containers, 3-Digit bundles on 3-Digit containers, 5-Digit bundles on 3-Digit containers, 5-Digit bundles on 5-Digit containers, Carrier Route bundles on 5-Digit containers, all presort sacks at origin entry, and Mixed ADC Pallets at origin entry closer to their estimated bottom up costs. The limited amount of price adjustment authority available to the Postal Service in this proceeding frustrated its ability to fully align these prices with their estimated bottom up costs.